

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

RESPONSES OF COMMISSION-SPONSORED WITNESS WEED
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8
(June 7, 2012)

Attached are the responses of witness William Weed (PRCWIT-T-1) to Presiding Officer's Information Request No. 8 filed May 25, 2012. Each question is stated verbatim and followed by the response.

Respectfully submitted,

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POIR 8, Question 1:

In the Appendix, Exhibit 12, of his testimony, witness Weed (PRCWIT-T-1) shows that Manual Letters, Manual Flats, and Parcel/Priority Processing experienced double-digit gains in productivity from the Pre-AMP to the Final PIR.

- a. Please describe the likely cause(s) of the large productivity increases.
- b. Would you expect that similar productivity increases would take place if the consolidations proposed in Docket No. N2012-1 are implemented? Please explain why or why not.

Response

a. Please describe the likely cause(s) of the large productivity increases.

For reference, the table below is from PRCWIT-T-1, Appendix, Exhibit 12. It shows the data for the Manual Letters, Manual Flats, and Parcel/Priority categories.

Table 1 – Manual Letters, Flats, & Parcels/Priority from Exhibit 12

Cat No	LDC	Category	Vol	TPH Productivity		% Chg Hr	% Chg in PPH
			%TPH	Pre AMP	Final PIR	Actual	Actual
12	14	Manual Letters	-0.3%	440	652	-32.7%	48%
13	14	Manual Flats	7.4%	385	497	-16.9%	29%
11,14,15	13,14	Parcel/Priority	1.2%	229	331	-29.9%	44%

The likely causes of these large productivity increases can be broken into two categories – process- and measurement-related increases and operational performance increases. I will start by looking at the issues that cause the process- and measurement-related increases.

The time period for measuring changes through the PIR process is not 24 contiguous months. There is a gap in the middle of the comparison years that is caused by the approval and implementation process. This resulted in an average elapsed time of 36.5 months for the 19 AMP PIRs. This is shown in the table below.

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Table 2 – Timeline of the 19 AMP PIRs

Timeline of Pre-AMP (B) Months with PIR (A) Months																												
AMP Study No.	Losing Facility	CY 2007				CY 2008				CY 2009				CY 2010				CY 2011										
		FY 2007		FY 2008				FY 2009				FY 2010				FY 2011												
		J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
1	Kansas City KS_OD	B	B	B	B	B	B	B	B	B	B	B	B															
18	Flint_O	B	B	B	B	B	B	B	B	B	B	B	B															
19	Canton_O	B	B	B	B	B	B	B	B	B	B	B	B															
5	Detroit_O	B	B	B	B	B	B	B	B	B	B	B	B															
10	Portsmouth_OD				B	B	B	B	B	B	B	B	B	B	B	B												
16	Lakeland_O				B	B	B	B	B	B	B	B	B	B	B	B												
12	Manasota_O				B	B	B	B	B	B	B	B	B	B	B	B												
2	Watertown_OD						B	B	B	B	B	B	B	B	B	B	B	B	B									
3	Winchester_OD						B	B	B	B	B	B	B	B	B	B	B	B	B									
6	Binghamton_O						B	B	B	B	B	B	B	B	B	B	B	B	B									
11	Queens_O						B	B	B	B	B	B	B	B	B	B	B	B	B									
15	Western Nassau_O						B	B	B	B	B	B	B	B	B	B	B	B	B									
9	Cape Cod_O								B	B	B	B	B	B	B	B	B	B	B									
14	Oxnard_O						B	B	B	B	B	B	B	B	B	B	B	B	B									
13	Newark_OD								B	B	B	B	B	B	B	B	B	B	B									
4	Jackson TN_O										B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
7	Athens_O										B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
17	Hickory_O																											
8	Long Beach_O																											

This gap means that the results of AMP PIR analysis are not representing a contiguous 24-month period consisting of 12 months for each of the Pre-AMP and PIR periods. The elapsed time between the two periods varies by individual AMP, but averaged 12.5 months for the 19 studies¹ included in my analysis.

The length of this gap means that AMP studies represent a comparison of performance of one year to a base year two years previous. I refer to this as “Double-SPLY” analysis. This resulted in much higher productivity increases due to the changes in operations being compared over this extended period. Simply stated, one reason that Exhibit 12 shows large productivity increases is because of this Double-SPLY basis.

This is a key point in reviewing AMP packages - the total elapsed time should be considered when looking at the change between the Pre-AMP and PIR performance.

I will next look at how performance changed on a national level over the four year period FY08 to FY11. Using data from the PRC annual compliance reviews², I created a MODS work hour and productivity analysis³ using the same structure as my analysis of the 19 AMP studies. I calculated both the change from year-to-year and the change over a two-year period. This two-year period more closely reflects the elapsed time period of the PIR process. For this question, since the 19 AMP studies were spread out over all four years, I used the average of the two-year change for the periods FY08 to FY10 and FY09 to FY11.

¹ Hickory and Long Beach were excluded from the average elapsed time calculation. Accurate Pre-AMP start dates could not be determined. Source Excel file is “POIR8 Table2 Tables11-15.xlsx”.

² See Dockets ACR2008, ACR2009, ACR 2010, ACR2011, MODS Productivities and USPS Table 1-2B

³ See “POIR8 Tables 3-5 16-18.xlsx” and “POIR8 Tables 6-10.xlsx”

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The Table below is a summary of national MODS work hours for Manual operations for all MODS facilities for the four-year period of FY2008-FY2011, as described in the previous paragraph. This table was taken from an Excel file "POIR8 Tables 3-5 16-18.xlsx" created for this response. It contains similar analysis for all operations.

Table 3 – National Work Hours – FY 2008 – Fy 2010

Cat No LDC Category			FY Work Hours			
			FY 2008	FY 2009	FY 2010	FY 2011
12	14	Manual Letters	17,669,659	14,458,195	11,782,694	9,984,524
13	14	Manual Flats	5,831,023	5,280,843	4,699,284	4,368,647
11,14,15	13,14	Parcel/Priority	9,312,812	8,019,431	6,998,439	6,662,252

The percent change year over year and for a two-year average change is shown below⁴:

Table 4 – National Percent Change in Work Hours

Cat No LDC Category			Year over Year % Change			
			FY 2008/2009	FY 2009/2010	FY 2010/2011	Two YR Average
12	14	Manual Letters	-18%	-19%	-15%	-32%
13	14	Manual Flats	-9%	-11%	-7%	-18%
11,14,15	13,14	Parcel/Priority	-14%	-13%	-5%	-21%

This shows significant and consistent reductions in work hours in these operations over the four year period. I would surmise that these reductions are the result of both the overall reduction in mail volume and the actions of operations managers to move mail onto automation and to manage work hours on the workroom floor.

Table 5 – Comparison of Work Hour Change

Cat No LDC Category			Two YR Average	AMP PIR
12	14	Manual Letters	-32%	-32.7%
13	14	Manual Flats	-18%	-16.9%
11,14,15	13,14	Parcel/Priority	-21%	-29.9%

⁴ The two year average is calculated as $((FY08+FY09)/FY10-1) + ((FY09+FY10)/FY11-1)) / 2$.

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While somewhat stating the obvious, another cause of the large productivity increases in the AMP studies is the substantial reduction in work hours in these operations. However, as shown above, the reduction in the 19 AMP offices for manual letters and flats was identical to the national reduction in work hours. The difference in Parcels/Priority will be explained in a subsequent section.

Changes in productivity can be caused by both sides of the calculation – volume or hours. MODS volume determination for manual operations is inconsistent based on methodology changes and apparent significant variation in annual flow rate updates. Manual volume historically was a combination of mail being weighed across scales and calculated flows from automation and for subsequent manual handlings. The Postal Service stopped weighing mail nationally in CY2008. This elimination of weighing mail means that manual volume is determined entirely from calculated flows.

The change in the way MODS manual volume was calculated fell in the four-year window. Manual letter and flat volumes are based on flows that are survey based and change only once a year. I also understand that the survey methodology was replaced in FY2011 for an ODIS data-based approach. The table below shows the TPH volumes for manual over the four-year period, along with the two-year average again. Note that the Parcel category does not include Priority Mail as it does in my AMP analysis.

Table 6 – National TPH Volume

Source: ACR2011, USPS-FY-11-23 and Predecessor Documents		FY TPH Volume			
<u>Description</u>	<u>Shape</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Fy 2011</u>
Manual Letters	Letters	8,437,189	6,999,857	6,300,365	7,740,605
Manual Flats	Flats	1,996,217	1,731,066	1,525,978	2,299,272
Manual Parcels	Parcels	514,158	469,953	441,024	420,133

Table 7 – National Percent Change in TPH Volume

			Year over Year			Double SPLY Change		
			THP Volume			THP Volume		
Source: ACR2011, USPS-FY-11-23 and Predecessor Documents			% Chg	% Chg	% Chg	% Chg	% Chg	2-YR AVE
			FY 08-09	FY 09-10	FY 10-11	FY 08-10	FY 09-11	
<u>Group</u>	<u>Description</u>	<u>Shape</u>						
	Manual Letters	Letters	-17%	-10%	23%	-25%	11%	-7%
	Manual Flats	Flats	-13%	-12%	51%	-24%	33%	5%
	Manual Parcels	Parcels	-9%	-6%	-5%	-14%	-11%	-12%

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For Letters, TPH went down -0.3 percent for the 19 AMP studies while nationally it went down -7 percent. For flats, TPH went up 7.4 percent for the 19 AMP studies, while nationally it went up 5 percent.

The elimination of weighing mail in FY08 distorts the FY08 to FY09 comparison. This distortion is caused by the weighing of mail for part of FY08.

It appears that a significant change in the flow values occurred between the years FY10 and FY11. I cannot evaluate which year more accurately reflects volume of pieces sorted, and thus, which accurately reflects actual productivity. I can state that the comparison of productivity between years is distorted due to the effects of the volume measurement methodology changes. Therefore, for manual letters and flats, one of the causes of the large increases in productivity in these operations is a phantom effect of the volume measurement changes.

The PIR review process does not adjust for changes in the base volume. Work hour reductions resulting from the overall volume decline are not segregated from the reductions tied directly to consolidation. For example, if volume goes down by 10 percent in an AMP PIR analysis, and work hours go down a corresponding amount because less mail is worked, this reduction in work hours is not attributed to the volume reduction in the PIR study. This gives the appearance that this work hour reduction is caused by the consolidation.

In addition to the change in volume, any other operational changes are not considered in the AMP PIR process. For example, if new, more efficient equipment is added to the gaining plant, the effect of the new equipment is not segregated in the PIR analysis. Another example would be when mail is moved to a different mail-processing (e.g. transferred to the NDC) or customer-service operation.

One of the causes of the large productivity increases is that the PIR process does not consider impact from working less actual volume in the PIR year than in the Pre-AMP year.

The tables below show the change in productivity for the manual operations.

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Table 8 – National Productivity

	Source: ACR2011, USPS-FY-11-23 and Predecessor Documents		FY TPH PPH			
<u>Group</u>	<u>Description</u>	<u>Shape</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Fy 2011</u>
	Manual Letters	Letters	512	507	568	820
	Manual Flats	Flats	363	343	346	553
	Manual Parcels	Parcels	310	340	374	334

Table 9 – National Percent Change in Productivity

			Year over Year		
			THP PPH		
	Source: ACR2011, USPS-FY-11-23 and Predecessor Documents		% Chg FY 08-09	% Chg FY 09-10	% Chg FY 10-11
<u>Group</u>	<u>Description</u>	<u>Shape</u>			
	Manual Letters	Letters	-1%	12%	44%
	Manual Flats	Flats	-6%	1%	60%
	Manual Parcels	Parcels	10%	10%	-11%

Table 10 – Comparison of Change in Productivity

	Source: ACR2011, USPS-FY-11-23 and Predecessor Documents		% Chg FY 08-10	% Chg FY 09-11	2-YR AVE	AMP PIR
<u>Group</u>	<u>Description</u>	<u>Shape</u>				
	Manual Letters	Letters	11%	62%	36%	48%
	Manual Flats	Flats	-5%	61%	28%	29%
	Manual Parcels	Parcels	20%	-2%	9%	44%

The difference between the national data and the 19 AMP studies of 12 percent in Manual Letters represents the impact of the volume measurement issues. For Manual Flats, productivity change matched the national performance. Note that the above tables do not include Priority volume or productivity data.

The categories I created in my analysis were intended to group the individual MODS operations into a manageable number of categories to facilitate analysis. However, further analysis at the individual MOD number level shows that operations not involved in the consolidation are impacting the results for the manual categories. The table below shows the data used in my analysis at the individual MOD number level. This is taken from file "POIR8 Table2 Table11-15.xlsx".

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Table 11 – Summary of AMP PIR by MODS Operation Number

AMP PIRs - Summary by Operation Number												
Category	Oper No.	FHP		TPH		Workhours		TPH Productivity		+/- Wkhrs	% of Category	Plant Count
		Pre AMP	Final PIR	Pre AMP	Final PIR	Pre AMP	Final PIR	Pre AMP	Final PIR			
Manual Flats	074	129566	178427	142114	189510	440032	385108	323	492	-54924	33.7%	19
Manual Flats	170	33861	21106	37730	22804	120889	86072	312	265	-34817	21.4%	14
Manual Flats	060	82035	83840	88560	84055	200079	180384	443	466	-19695	12.1%	20
Manual Flats	175	3459	6462	15712	14504	25926	7274	606	1994	-18652	11.5%	10
Manual Flats	178	4090	4574	7814	5952	33335	20466	234	291	-12869	7.9%	13
Manual Flats	070	2569		26684	17201	21851	11479	1221	1498	-10372	6.4%	16
Manual Flats	073	47585	61359	48534	61437	111858	105407	434	583	-6451	4.0%	13
Manual Flats	075	231		346		4212		82		-4212	2.6%	6
Manual Flats	179	3		2687	1970	4290	3471	626	567	-819	0.5%	9
Manual Flats	069	23		23		22		1029		-22	0.0%	2
Manual Flats	063					19	12			-7	0.0%	1
Manual Letters	030	471390	424916	488236	425340	951853	771391	513	551	-180462	20.5%	19
Manual Letters	044	167322	240504	232963	280607	462756	311228	503	902	-151528	17.2%	18
Manual Letters	043	164794	216422	168603	217293	441773	319005	382	681	-122768	13.9%	14
Manual Letters	168	40504	45342	53975	50843	182803	63476	295	801	-119327	13.5%	14
Manual Letters	169	912		50322	21327	162084	67164	310	318	-94920	10.8%	17
Manual Letters	150	37125	65742	46213	71842	235223	149902	196	479	-85321	9.7%	15
Manual Letters	160	8340	2301	20826	4378	56394	10240	369	428	-46154	5.2%	14
Manual Letters	040	3911		112094	106133	149523	105102	750	1010	-44421	5.0%	19
Manual Letters	045	6103		6321		20084		315		-20084	2.3%	6
Manual Letters	090			347	3130	23188	12748	15	246	-10440	1.2%	14
Manual Letters	029	4444	431	4444	431	8833	2974	503	145	-5859	0.7%	5
Manual Letters	033					5				-5	0.0%	2
Manual Parcels	200	24181	16367	27518	16498	122378	49698	225	332	-72680	48.9%	15
Manual Parcels	130	5047	2516	5340	3715	69437	19359	77	192	-50078	33.7%	10
Manual Parcels	100	12384	3948	12399	4076	30448	5620	407	725	-24828	16.7%	14
Manual Parcels	103					1309	201			-1108	0.7%	1
Manual Priority	324	17179	21044	17230	21147	123423	92264	140	229	-31159	95.6%	12
Manual Priority	050	10642	12073	10844	13317	46420	36309	234	367	-10111	31.0%	13
Manual Priority	055	18337	15352	18657	15633	63317	54517	295	287	-8800	27.0%	14
Manual Priority	321	21532	16160	24880	21519	111043	103004	224	209	-8039	24.7%	11
Manual Priority	051	2874	4153	2874	4153	9497	3551	303	1169	-5946	18.2%	9
Manual Priority	322			10317	11586	11190	8601	922	1347	-2589	7.9%	5
Manual Priority	325	167	428	168	788	426	290	394	2718	-136	0.4%	4
Manual Priority	052			3	2	91		38		-91	0.3%	3
Manual Priority	053	824	4113	824	4113	2163	2456	381	1675	293	-0.9%	8
Manual Priority	054	-1		768	2606	34	3461	22592	753	3427	-10.5%	6
Manual Priority	326	18	4330	5407	11533	10859	19220	498	600	8361	-25.6%	6
Manual Priority	320	1646	10043	1811	10062	4361	26550	415	379	22189	-68.1%	7

For example, Box Section, Operations 168 /169, comprise 24.3 percent of total Manual Letter work hour reductions. Box section operations would only be involved in the consolidation of four (4) of the 19 AMPs that went beyond Originating consolidation. In Manual Parcels, Operation 200, Incoming Secondary Parcel Distribution, represents 48.9 percent of the total.

These are examples where operations not tied to the AMP, i.e., destinating operations included in an originating AMP, are driving a large portion of the work hour reductions. In these cases, it is also likely that the work load was transferred to a different function or facility, e.g., Customer Services or the NDC. This would be another potential cause of the large productivity increases.

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Tables 12 through 15 below show the breakdown for the manual operation work hours by AMP office by MODS Operation Number. These are from Excel file "POIR8 Table2 Tables11-15.xlsx".

Table 12 – AMP PIR Change in Work Hours – Manual Letters

Manual Letters: Change in Workhours: PIR Final - PreAMP														
AMP Study Name	Type	030	040	044	168	169	150	160	043	045	090	029	033	Total
Athens_O_North Metro	Orig	-4486	-5380	-7608	-6	-4043	-7	-1569	-31059		9	-3893		-58042
Binghamton_O_Syracuse	Orig	-5225	420	-4287	-1547	251	-540	-950	-6569		29			-18418
Canton_O_Akron	Orig	-6701	-599	-7525	-3045	-7390	564			-914	47			-25563
Cape Cod_O_Brockton	Orig	-8006	72	-16275			-176							-24385
Detroit_O_Michigan Metro	Orig	15344	-4475	-26587	-1121	-15473	-7941	-200	-20622	-8853	1664		-5	-68269
Flint_O_Michigan Metro	Orig	35817	-674	-1762	-409	-3286	-51	16		-887	-1491			27273
Hickory_O_Greensboro	Orig	-8860	-1801	1204		-1464	1499	-327	2198		-706			-89257
Jackson TN_O_Memphis	Orig	-6966	-769	-3151	-7933	3187	-5442	-2109	-15719		-304			-39206
KC,Kansas to KC, MO	Full	-31053	-12367	-16143	-11143	5398	-3279		1817	-8158				-74928
Lakeland_O_Tampa	Orig	-29971	5752	1176	-41403	-21800	-6324	-6	3324			-55		-89307
Long Beach_O_Santa Ana	Orig	-21193	-4516	-19991	9966	-27356	-22516	-11269			89			-96786
Manasota_O_Tampa	Orig	-25681	3675	1202	-41557	-18501	-6920		-580	-1228		-2236		-91826
Newark_D_DVD	Dest	-5284	-8980	485	-14984	644	-13382	-22096	-44010		-776			-108383
Oxnard_O_Santa Clarita-VanNuys	Orig	-19468	-4974	-24661		-8		-74	84					-49101
Portsmouth_O_Manchester	Orig	-12166	-923	-652		-1291		-71	-8552	-44	-780			-24479
Queens_O_Brooklyn	Orig	9578	-4392			-11	-20266	-1045	1648		-7692	-1249		-23429
Watertown_OD_Syracuse	Full	-2591	1423	-1098	-2169	-3572	-540	-1819	-6569		29			-16906
Western Nassau_O_Mid-Island	Orig	-18468	-4713	-21986		-205					-558	1574		-44356
Winchester_OD_Dulles	Full	-35082	-1200	-3869	-3976			-4635	1841					-46921
Total		-180462	-44421	-151528	-119327	-94920	-85321	-46154	-122768	-20084	-10440	-5859	-5	-881289

As shown in the Table above, Detroit, Lakeland, Long Beach, and Manasota show significant reduction in Box Section hours. These reductions would be independent of the consolidation. This is an example where the productivity increases in the manual categories are being driven both by changes other than the consolidation and by only a small number of offices.

Table 13 – AMP PIR Change in Work Hours – Manual Flats

Manual Flats: Change in Workhours: PIR Final - PreAMP												
AMP Study Name	060	070	074	170	175	178	073	075	179	069	063	Total
Athens_O_North Metro	-5805	-5163	-35480		-3746	7	-13878					-64065
Binghamton_O_Syracuse	390	265	5033	-964	-440	397	7		652	-16		5324
Canton_O_Akron	-1670	-1012	-10988	-154		1266			-137			-12695
Cape Cod_O_Brockton	-111		-1759	-98								-1968
Detroit_O_Michigan Metro	5614	-23	7556	555		-292	2643	-10				16043
Flint_O_Michigan Metro	4607		22888	-258		-762			-448			26027
Hickory_O_Greensboro	-1061	31	1802	1569	-16		3620	-8				5937
Jackson TN_O_Memphis	-2032		-4971	553	502	-304	584					-5668
KC,Kansas to KC, MO	3235	-623	-4702	-3080		-3504	-6993	-25			-7	-15699
Lakeland_O_Tampa	-4979	-513	4965	-719	-29	-5112	-19		-640			-7046
Long Beach_O_Santa Ana	-4418	-2185	-1954	-155	-4786	654			-600			-13444
Manasota_O_Tampa	-5928	-639	-7152	-871		-4978	-273		-298	-6		-20145
Newark_D_DVD	-5013	1511	2069	-4029	-7424	-638	2493	-2581				-13612
Oxnard_O_Santa Clarita-VanNuys	-1663	-443	-7508				-215					-9829
Portsmouth_O_Manchester	-930	-232	-1732		-117		350	-851				-3512
Queens_O_Brooklyn	3397	-1403		-26202								-24208
Watertown_OD_Syracuse	240	265	1177	-964	-447	397	1	-737	652			584
Western Nassau_O_Mid-Island	3405	-45	-29123									-25763
Winchester_OD_Dulles	-6973	-163	4955		-2149		5229					899
Total	-19695	-10372	-54924	-34817	-18652	-12869	-6451	-4212	-819	-22	-7	-162840

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As shown in the Table above, Operation 074, Manual SCF Flats, for Detroit, Flint, and Jackson substantially distort the bottom line results.

Table 14 – AMP PIR Change in Work Hours – Manual Parcels

Manual Parcels: Change in Workhours: PIR Final - PreAMP					
AMP Study Name	200	130	100	103	Total
Athens_O_North Metro	394	0	0	0	394
Binghamton_O_Syracuse	-2022	0	1178	0	-844
Canton_O_Akron	8	11	-480	0	-461
Cape Cod_O_Brockton	0	-127	-13	0	-140
Detroit_O_Michigan Metro	-19328	-25388	-9230	-1108	-55054
Flint_O_Michigan Metro	-15146	-25567	-9259	0	-49972
Hickory_O_Greensboro	-1251	-76	-1468	0	-2795
Jackson TN_O_Memphis	-1138	0	-64	0	-1202
KC,Kansas to KC, MO	-4915	-920	0	0	-5835
Lakeland_O_Tampa	-1418	-1486	96	0	-2808
Long Beach_O_Santa Ana	-13541	0	0	0	-13541
Manasota_O_Tampa	-2101	0	-11	0	-2112
Newark_D_DVD	632	0	0	0	632
Oxnard_O_Santa Clarita-VanNuys	0	3522	-875	0	2647
Portsmouth_O_Manchester	-1315	-47	-275	0	-1637
Queens_O_Brooklyn	-8989	0	242	0	-8747
Watertown_OD_Syracuse	0	0	-4971	0	-4971
Western Nassau_O_Mid-Island	0	0	0	0	0
Winchester_OD_Dulles	-2550	0	302	0	-2248
Total	-72680	-50078	-24828	-1108	-148694

In the Table above, Detroit and Flint substantially impact the bottom line results.

Table 15 – AMP PIR Change in Work Hours – Manual Priority

Manual Priority: Change in Workhours: PIR Final - PreAMP													
AMP Study Name	324	050	055	321	051	322	325	052	053	054	326	320	Total
Athens_O_North Metro		1517	-4835										-3318
Binghamton_O_Syracuse		2415	-1										2414
Canton_O_Akron	6	-4220	-763				-6					-111	-5094
Cape Cod_O_Brockton	-149	-1354	102	-114									-1515
Detroit_O_Michigan Metro							-40					-53	-93
Flint_O_Michigan Metro			-1	-6416		-5426			5				-11838
Hickory_O_Greensboro		-10243	-655	1	325		-129		289	1268			-9144
Jackson TN_O_Memphis	-5903		-1060	-6335	-405		39	-10	-288	-1	5624	5394	-2945
KC,Kansas to KC, MO	-61152			-11293	-5233	6666		-80	1	-4	-23	17248	-53870
Lakeland_O_Tampa	866	-115	513	-2	2				122	1958	-24	189	3509
Long Beach_O_Santa Ana	9509	437		7024	-641	-1763			5				14571
Manasota_O_Tampa	1423	-532	1527		-6				155	206	227	798	3798
Newark_D_DVD													
Oxnard_O_Santa Clarita-VanNuys	9512			8952	12	-2066		-1	4			-1276	15137
Portsmouth_O_Manchester	-4	-290	-32	-104							-1		-431
Queens_O_Brooklyn		3	-110										-107
Watertown_OD_Syracuse		2395	-1										2394
Western Nassau_O_Mid-Island			-3979										-3979
Winchester_OD_Dulles	14733	-124	495	248							2558		17910
Total	-31159	-10111	-8800	-8039	-5946	-2589	-136	-91	293	3427	8361	22189	-32601

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In the Table above, Kansas City substantially impacts the bottom line results.

Referencing the Exhibit 12 results, the productivity increase in Parcels /Priority is influenced by the Detroit, Flint, and Kansas City AMP's.

The four tables above demonstrate that to really understand what is driving AMP PIR results, detailed analysis is required.

In my opinion, the breakdown of the categories into their component MODS numbers demonstrates that part of the increases in productivity is being driven by operational changes other than consolidation.

In summary, and as documented above, the large increase in productivity in these categories is explained due to the following process and measurement issues:

1. Exhibit 12 shows large productivity increases because it is based on a Double-SPLY time period.
2. The large productivity increases in the AMP studies are caused by the substantial reduction in work hours in these operations. However, the reductions in the 19 AMP PIRs for manual letters and flats were identical to the national reduction in work hours.
3. The changes in manual volume methodology created inconsistent volumes from year to year, resulting in a phantom effect on productivity.
4. The PIR process does not consider the impact from working less actual volume in the PIR year than in the Pre-AMP year.
5. The increases in productivity are being driven by operational changes other than consolidation. In some cases, it is also likely that the work load and work hours were transferred to a different function or facility.
6. The productivity increases in the manual categories are being driven by only a small number of the 19 AMP offices.

*

I will now look at the operational issues that cause productivity increases. For reference, below I restate the following from my testimony, page 10, line 1 through page 11, line 4:

In order to put this expected improvement into perspective, it is important to categorize the types of operational consolidations that occur when facilities are merged. The first category of operations is where volume is simply added to an existing operation, with little or no change to the operation. Mail cancellation and outgoing sortation fall into this group. Savings capture can be significant in this group due to adding volume while absorbing the savings from the elimination of losing plants' fixed costs. Generally, adding volume without changing the operation itself results in higher productivity.

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The second category of operations is where there is a transfer of workload with little or no absorption – effectively additional new work to the gaining facility. DPS operations fall into this category. It is new work for the gaining plant and will generally be processed at the gaining plant's productivity for that operation. Adding the workload does not in and of itself add any economies of scale, as it is new and independent workload. The opportunities for savings are tied more to the local plant's productivity relative to the losing plant, and to the expectations for productivity improvement.

The third category of operations is when volume is merged with the gaining plant's volume, but operational changes are necessary. Incoming Primary falls into this category. The addition of 3-digit ZIPs to Incoming Primary operations means that the sort plans, setup, and possibly floor layout will have to change, and additional staging and dispatch will have to be implemented. While volume is added to the existing operation, the required changes can potentially reduce any expected economies of scale from the additional volume.

The final category is operations that do not have a direct productivity measurement. The opportunity to absorb additional volume can be significant, depending on the local situation. This would require a local judgment of the ability to absorb any of the new requirements within the gaining operation. In some cases, tray sortation for example, new workload requires additional work hours. In others, such as dock operations, additional workload can be directly absorbed.

These categories are useful in evaluating estimates of the potential AMP savings in a specific facility.

In general, operational productivity Increases can be categorized into some of the following causes:

- a. Work process changes are made that result in a more efficient operation.
- b. Actual volume – number of pieces of mail sorted – changes and results in increased efficiency.
- c. The number of handlings necessary to meet sortation requirements changes.
- d. The mail arrival pattern or staffing changes, resulting in a reduction in idle time.

The sections above provide a general theoretical explanation of operational productivity improvements. However, given the number of process and measurement issues identified above, along with the results that mirror the national performance, I cannot isolate any specific operational process changes that contribute to the increases in productivity or the reduction in work hours for the 19 AMP PIR studies.

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For these manual operations, originating consolidation does not present the same opportunities for savings capture as AFCS or automated operations. There is less allied time to absorb through the higher volume in the operation. Simply put, manual distribution operations do not have as much opportunity for productivity improvement under a consolidation scenario.

Witness Neri seems to acknowledge this concept by only allocating a three (3.0) percent increase in expected productivity for these manual operations in this docket.⁵ I do concur with Witness Neri that a three percent increase in productivity would be reasonable to expect. I cannot isolate this effect in the analysis of the 19 AMP packages.

- b. Would you expect that similar productivity increases would take place if the consolidations proposed in Docket No. N2012-1 are implemented? Please explain why or why not.**

As explained in detail in my response to question (a), the increases in productivity are related to process and measurement issues as opposed to specific consolidation factors. I would not expect similar productivity increases in these manual operations should the consolidations proposed in Docket Number N2012-1 be implemented.

As further clarification, I would expect there to be the opportunity for improvement in the three (3) percent range as per the testimony of witness Neri.

⁵ Direct Testimony Frank Neri on Behalf of the United States Postal Service, Docket N. N2012-1, USPS T-4, Figure 12, pages 29-30.

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POIR 8, Question 2:

In the Appendix, Exhibit 12, of his testimony, witness Weed (PRCWIT-T-1) shows that total non-measured operations hours decreased by 27.7 percent from the Pre-AMP to the Final PIR.

- a. Please describe the likely cause(s) of the large cost reductions.
- b. Would you expect that similar cost reductions would take place if the consolidations proposed in Docket No. N2012-1 are implemented?
Please explain why or why not.

Response

- a. **Please describe the likely cause(s) of the large cost reductions.**

The table below shows the national work hours by category for the four year period. This methodology is the same as used in response to Question 1. It is provided in file "POIR8 Tables 3-5 16-18.xlsx".

Table 16 – National Work Hours – Non-Volume Operations

Source: ARC2011 USPS-FY11-9 USPS-FY11-7, Cost segment 3 Cost Pools and Predecessors				FY Work Hours			
	Cat No	LDC	Category	FY 2008	FY 2009	FY 2010	FY 2011
Non-Volume Operations N-TPH	16,17,18,19	17	Prep	12,696,655	10,522,514	9,428,160	8,605,588
	21,22,23	13,17	Open/Pouching	24,938,675	19,056,993	15,251,918	12,627,524
	24,25	13,17	Tray Handling	8,114,659	7,879,010	8,087,284	8,435,942
	27	17	Equip Operator	14,854,347	13,084,188	12,347,591	12,075,975
	26,28,29	17	Dock Operations	31,909,802	27,193,403	24,234,535	22,665,169
	31,32	18	Express/Registry	7,083,864	5,944,170	4,904,327	4,702,123
	33,34	18	Indirect/Support	16,729,130	13,196,455	9,908,025	8,435,053
	30	15/17/18	Opns Other	354,207	273,354	311,134	169,573
			Sub-Total Dist	119,105,294	106,578,163	98,009,454	95,574,830
			Sub-Total Non Dist	116,681,339	97,150,087	84,472,974	77,716,947
			Total LDC 11-18	235,786,633	203,728,250	182,482,428	173,291,777

The table below shows the percentage change in work hours year over year and the average of the two-year (Double-SPLY) change.

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Table 17 – Percentage Change in National Work Hours

Source: ARC2011 USPS-FY11-9 USPS-FY11-7, Cost segment 3 Cost Pools and Predecessors				Year over Year % Change			
	Cat No	LDC	Category	FY 2008/2009	FY 2009/2010	FY 2010/2011	Two YR Average
Non-Volume Operations N-TPH	16,17,18,19	17	Prep	-17%	-10%	-9%	-22%
	21,22,23	13,17	Open/Pouching	-24%	-20%	-17%	-36%
	24,25	13,17	Tray Handling	-3%	3%	4%	3%
	27	17	Equip Operator	-12%	-6%	-2%	-12%
	26,28,29	17	Dock Operations	-15%	-11%	-6%	-20%
	31,32	18	Express/Registry	-16%	-17%	-4%	-26%
	33,34	18	Indirect/Support	-21%	-25%	-15%	-38%
	30	15/17/18	Opns Other	-23%	14%	-45%	-25%
			Sub-Total Dist	-11%	-8%	-2%	-14%
			Sub-Total Non Dist	-17%	-13%	-8%	-24%
			Total LDC 11-18	-14%	-10%	-5%	-19%

The table below shows the comparison by category between the national performance and the 19 AMP facilities.

Table 18 – Comparison of Work Hour Change

Source: ARC2011 USPS-FY11-9 USPS-FY11-7, Cost segment 3 Cost Pools and Predecessors					
	Cat No	LDC	Category	Two YR Average	AMP PIR
Non-Volume Operations N-TPH	16,17,18,19	17	Prep	-22%	-22.3%
	21,22,23	13,17	Open/Pouching	-36%	-42.3%
	24,25	13,17	Tray Handling	3%	29.1%
	27	17	Equip Operator	-12%	-15.7%
	26,28,29	17	Dock Operations	-20%	-23.7%
	31,32	18	Express/Registry	-26%	-22.7%
	33,34	18	Indirect/Support	-38%	-49.9%
			Sub-Total Non Dist	-24%	-27.7%

The process issues that were explained in my response to Question 1 also apply here. However, and obviously, the volume issues do not apply here. Generally, the reductions in the 19 AMP PIRs are slightly greater than the national average. This difference is approximately fifteen (15) percent, or 3.7 percent of total work hours.

There is variation between these categories in the 19 AMP PIR's as shown in the tables below. This variation shows the same types of issues with individual offices contributing disproportionately to individual category results as in Manual operations. These tables are in Excel file "POIR8 Tables19-21.xlsx".

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Table 19 – AMP PIR Work Hour Change by Facility & Category

Change in Workhours: Final PIR - Pre AMP											
AMP Study Number		Total All Distrib	Non Distribution							Total All Non-Dist	Total LDC 11-18
No.	Losing Facility		Prep	Open & Pouch	Tray Handling	Equip Oper	Dock	Express / Registry	Indirect / Support		
1	Kansas City KS	-117530	16536	-80545	11485	-53899	-81203	-3759	-205978	-397363	-514893
2	Watertown	-33316	-7362	-23300	-1166	200	-32453	-6952	-5130	-76163	-109479
3	Winchester	-53123	-10913	-42267	-8949	14207	10667	-7315	-20123	-64693	-117816
4	Jackson TN	-30553	-18917	-6024	-724	-2841	8490	-9766	-58276	-88058	-118611
5	Detroit	-455597	-132549	-267855	130866	30773	-298703	-25124	-171798	-734390	-1189987
6	Binghamton	-48883	-1905	-43323	-1166	-14224	-47357	-7984	-15961	-131920	-180803
7	Athens	-274854	-12890	-95779	-18122	-52141	-45357	132	-50030	-274187	-549041
8	Long Beach	-258879	-32159	-299465	-18914	-38485	-3953	-13072	-105215	-511263	-770142
9	Cape Cod	-78682	-19255	4872	24014	-25822	-49119	-8229	-15783	-89322	-168004
10	Portsmouth	-121558	-26591	-39610	31391	-13763	-61416	-8088	-38325	-156402	-277960
11	Queens	-236870	-9601	-122163	13301	-16311	-96116	-21404	-116428	-368722	-605592
12	Manasota	-254322	-38014	-156691	-3370	-56744	-30923	-22430	-103484	-411656	-665978
13	Newark	-221619	-24421	-191415	52754	-11024	-131343	-36329	-138268	-480046	-701665
14	Oxnard	-79075	10327	-22182	-23098	-59783	-38592	-6728	-50612	-190668	-269743
15	Western Nassau	-75863	-64780	-58238	-5444	295	-72672	-7733	-70563	-279135	-354998
16	Lakeland	-175449	-15770	-141233	8389	-49166	-32781	6951	-84557	-308167	-483616
17	Hickory	-56464	-7537	-28224	-8304	-8438	-28084	-12844	-16908	-110339	-166803
18	Flint	-140256	-34926	-177301	142329	56762	-174993	-5609	-53797	-247535	-387791
19	Canton	-83554	-21461	-42133	4347	-8646	-25003	-5938	-32759	-131593	-215147
Total		-2796447	-452188	-1832876	329619	-309050	-1230911	-202221	-1353995	-5051622	-7848069

Table 20 - AMP PIR Work Hour Change, Percent by Category for each Facility

Percent of Workhour Change by Category											
AMP Study Number		Total All Distrib	Non Distribution							Total All Non-Dist	Total LDC 11-18
No.	Losing Facility		Prep	Open & Pouch	Tray Handling	Equip Oper	Dock	Express / Registry	Indirect / Support		
1	Kansas City KS	22.8%	-3.2%	15.6%	-2.2%	10.5%	15.8%	0.7%	40.0%	77.2%	100.0%
2	Watertown	30.4%	6.7%	21.3%	1.1%	-0.2%	29.6%	6.4%	4.7%	69.6%	100.0%
3	Winchester	45.1%	9.3%	35.9%	7.6%	-12.1%	-9.1%	6.2%	17.1%	54.9%	100.0%
4	Jackson TN	25.8%	15.9%	5.1%	0.6%	2.4%	-7.2%	8.2%	49.1%	74.2%	100.0%
5	Detroit	38.3%	11.1%	22.5%	-11.0%	-2.6%	25.1%	2.1%	14.4%	61.7%	100.0%
6	Binghamton	27.0%	1.1%	24.0%	0.6%	7.9%	26.2%	4.4%	8.8%	73.0%	100.0%
7	Athens	50.1%	2.3%	17.4%	3.3%	9.5%	8.3%	0.0%	9.1%	49.9%	100.0%
8	Long Beach	33.6%	4.2%	38.9%	2.5%	5.0%	0.5%	1.7%	13.7%	66.4%	100.0%
9	Cape Cod	46.8%	11.5%	-2.9%	-14.3%	15.4%	29.2%	4.9%	9.4%	53.2%	100.0%
10	Portsmouth	43.7%	9.6%	14.3%	-11.3%	5.0%	22.1%	2.9%	13.8%	56.3%	100.0%
11	Queens	39.1%	1.6%	20.2%	-2.2%	2.7%	15.9%	3.5%	19.2%	60.9%	100.0%
12	Manasota	38.2%	5.7%	23.5%	0.5%	8.5%	4.6%	3.4%	15.5%	61.8%	100.0%
13	Newark	31.6%	3.5%	27.3%	-7.5%	1.6%	18.7%	5.2%	19.7%	68.4%	100.0%
14	Oxnard	29.3%	-3.8%	8.2%	8.6%	22.2%	14.3%	2.5%	18.8%	70.7%	100.0%
15	Western Nassau	21.4%	18.2%	16.4%	1.5%	-0.1%	20.5%	2.2%	19.9%	78.6%	100.0%
16	Lakeland	36.3%	3.3%	29.2%	-1.7%	10.2%	6.8%	-1.4%	17.5%	63.7%	100.0%
17	Hickory	33.9%	4.5%	16.9%	5.0%	5.1%	16.8%	7.7%	10.1%	66.1%	100.0%
18	Flint	36.2%	9.0%	45.7%	-36.7%	-14.6%	45.1%	1.4%	13.9%	63.8%	100.0%
19	Canton	38.8%	10.0%	19.6%	-2.0%	4.0%	11.6%	2.8%	15.2%	61.2%	100.0%
Total		35.6%	5.8%	23.4%	-4.2%	3.9%	15.7%	2.6%	17.3%	64.4%	100.0%

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Table 21 - AMP PIR Work Hour Change, Percent by Facility for each Category

Percent of Workhour Change within Each Category											
AMP Study Number		Total All Distrib	Non Distribution							Total All Non-Dist	Total LDC 11-18
No.	Losing Facility		Prep	Open & Pouch	Tray Handling	Equip Oper	Dock	Express / Registry	Indirect / Support		
1	Kansas City KS	4.2%	-3.7%	4.4%	3.5%	17.4%	6.6%	1.9%	15.2%	7.9%	6.6%
2	Watertown	1.2%	1.6%	1.3%	-0.4%	-0.1%	2.6%	3.4%	0.4%	1.5%	1.4%
3	Winchester	1.9%	2.4%	2.3%	-2.7%	-4.6%	-0.9%	3.6%	1.5%	1.3%	1.5%
4	Jackson TN	1.1%	4.2%	0.3%	-0.2%	0.9%	-0.7%	4.8%	4.3%	1.7%	1.5%
5	Detroit	16.3%	29.3%	14.6%	39.7%	-10.0%	24.3%	12.4%	12.7%	14.5%	15.2%
6	Binghamton	1.7%	0.4%	2.4%	-0.4%	4.6%	3.8%	3.9%	1.2%	2.6%	2.3%
7	Athens	9.8%	2.9%	5.2%	-5.5%	16.9%	3.7%	-0.1%	3.7%	5.4%	7.0%
8	Long Beach	9.3%	7.1%	16.3%	-5.7%	12.5%	0.3%	6.5%	7.8%	10.1%	9.8%
9	Cape Cod	2.8%	4.3%	-0.3%	7.3%	8.4%	4.0%	4.1%	1.2%	1.8%	2.1%
10	Portsmouth	4.3%	5.9%	2.2%	9.5%	4.5%	5.0%	4.0%	2.8%	3.1%	3.5%
11	Queens	8.5%	2.1%	6.7%	4.0%	5.3%	7.8%	10.6%	8.6%	7.3%	7.7%
12	Manasota	9.1%	8.4%	8.5%	-1.0%	18.4%	2.5%	11.1%	7.6%	8.1%	8.5%
13	Newark	7.9%	5.4%	10.4%	16.0%	3.6%	10.7%	18.0%	10.2%	9.5%	8.9%
14	Oxnard	2.8%	-2.3%	1.2%	-7.0%	19.3%	3.1%	3.3%	3.7%	3.8%	3.4%
15	Western Nassau	2.7%	14.3%	3.2%	-1.7%	-0.1%	5.9%	3.8%	5.2%	5.5%	4.5%
16	Lakeland	6.3%	3.5%	7.7%	2.5%	15.9%	2.7%	-3.4%	6.2%	6.1%	6.2%
17	Hickory	2.0%	1.7%	1.5%	-2.5%	2.7%	2.3%	6.4%	1.2%	2.2%	2.1%
18	Flint	5.0%	7.7%	9.7%	43.2%	-18.4%	14.2%	2.8%	4.0%	4.9%	4.9%
19	Canton	3.0%	4.7%	2.3%	1.3%	2.8%	2.0%	2.9%	2.4%	2.6%	2.7%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In my opinion, the variation with these categories is partially the result of lack of consistency in MODS clock ring procedures within operations. This inconsistency can be an employee's not moving from one operation to another or differing local definitions of what operation number to use. I will not make conclusions at the category level as a result of these variations across offices.

The table does show that of the total change in work hours for the AMP PIR's, approximately one-third (1/3) of the reduction comes from distribution operations and two-thirds (2/3) comes from non-volume operations. This is what I would expect – that the non-volume operations have more opportunity to capture savings through consolidations.

The reduction of -27.7 percent can thus be broken down into two components: the reduction that all plants achieved on average (-24 percent), and the additional reduction in the 19 AMP PIRs (-3.7 percent). Thus, I would attribute most of the -27.7-percent total reduction, approximately 85 percent, to reductions experienced by all plants. I would attribute approximately 15 percent of the total reduction to AMP impacts. Based on this breakdown, the scope of the AMP impact was -3.7 percent of work hours.

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- b. Would you expect that similar cost reductions would take place if the consolidations proposed in Docket No. N2012-1 are implemented? Please explain why or why not.**

I would not expect that cost reductions in the range of 27.7 percent to take place if the consolidations proposed in this docket are implemented. As stated above, I believe that most of these savings are not directly attributable to the AMP consolidations.

National reductions in non-volume operation work hours have been significant over the four-year period. I cannot isolate the causes of this national reduction as opposed to the reductions documented in the 19 AMP PIRs. I did expect that the savings from consolidation would be greater than the 3.7 percent difference with the national reduction.

I estimate that the non-volume operations reductions would be as follows:

- Mail prep, sack and tray sorting, and LDC 18 would be reduced by five (5) percent.
- Flat Prep would not change.
- The remainder of Non-Volume categories would experience a fifty (50) percent absorption of the losing facilities' work hours.

This would yield approximately a nine (9) percent reduction in non-volume work hours nationally. Determining reasons for the difference between this 9 percent and the 3.7 percent above would require significant plant level analysis of the entire network.

This is consistent with the estimates of witness Williams in his oral testimony on March 20, 2012, in response to a question by commissioner Taub.

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POIR 8, Question 3:

On pages 33-44 of his testimony, witness Weed (PRCWIT-T-1) presents an alternative processing window intended to retain a subset of current overnight committed mail.

- a. How would this alternative proposal affect the total workhour requirements and associated productivity of the processing network?
- b. To what extent would implementation of such a proposal decrease the total costs of the Postal Service?

Response

For reference, below is my response to **USPS/PRC-T1-11**. I will use it in my response to questions (a) and (b) that follows.

There are two components to estimating cost savings associated with our alternative:

1. Savings derived from operational changes due to the increased DPS window within current operations.
2. Savings derived from opportunities created from the additional capacity within a plant due to the expanded window. This would be either a reduction of DBCSs within the facility, or the opportunity to consolidate another facility's destinating operation using the excess capacity created.

As explained in my testimony, my responses to these questions, and as explained in my associate witness Matz's testimony, the elimination of inter-SCF overnight will expand the DPS second pass window from approximately 4 hours to 7 hours. This will reduce the DBCS requirements for the DPS processing.

The savings would be captured through fewer DBCSs being used for DPS through either each DBCS processing additional DPS sort plans or through the creation of bigger DPS sort plans. Either scenario should result in increased DPS operational productivity. My estimate is that DPS productivity should be able to increase from 5 to 10 percent as a result of this change. I estimate the range of savings to be approximately \$48 to \$92 Million as shown in the table below:

Table 22 – DPS Savings Estimates

DPS Savings Range	DPS Vol (1000)	DPS Hours	DPS PPH	DPS Hour Saving	DPS \$ Savings
FY 2010 MODS	199,213,986	23,212,750	8,582		
5% PPH Increase	199,213,986	22,107,381	9,011	1,105,369	\$47,972,986
10% PPH Increase	199,213,986	21,102,500	9,440	2,110,250	\$91,584,791

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The expansion of the DPS window would also allow for converting 5-Digit ZIPs to DPS that are currently processed to the carrier route level or eliminating the need for CSBCS operations. I did not include this in my estimate of savings.

This reduction in DPS peak requirements will lead to a reduction in the size of the DBCS fleet. DBCSs would either be removed from service in the current plant, or gaining volume from a consolidation will be worked into them. In the latter, the DBCS equipment would be removed from the consolidated (losing) plant.

As stated in witness Matz's response to **USPS/PRCWIT-T2-10**,

I should have clarified that this one third referred to DPS requirements. There will be a period at the end of Tour 3 where Originating, Incoming Primary, and DPS operations are all operating concurrently. My estimate did not consider the potential impact on DBCS requirements of this overlap. This would have to be determined at the individual plant level. My estimate of total DPS fleet reductions would be between 15 and 25 percent.

The total savings projection that would come from the elimination of DBCSs and consolidations would have to be derived from the sum of the individual plant plans. Based on a general understanding of the complex issues involved, I estimate the total DBCS fleet could be reduced between 15 and 25 percent based solely on the elimination of the Inter-SCF OND requirement. Using a figure of \$120,300⁶ dollars per DBCS eliminated, this equates to an annual savings of \$107-\$177 Million.

Table 23 – DBCS Savings Estimates

DBCS Savings Range	DBCS's	Savings
FY 2010 MODS	5,916	
15% Reduction	-887	-\$106,754,220
25% Reduction	-1,479	-\$177,923,700

Other than the savings identified above, I cannot separate out the savings from our alternative from the total N2012-1 consolidation plans. Simply stated, I cannot determine where a consolidation becomes directly linked to the elimination of Inter-SCF OND versus where it could be without the elimination.

⁶ See Marc A. Smith UPSP-ST-3, page 2-3, DBCSs go from FY2010 mid-year total of 5,916 to 3,689. Mail processing Equipment maintenance labor savings \$281.4 Million, parts and supplies \$53.4 Million. Total \$334.7 Million. Assuming 80% savings is due to the 2227 reduction in DBCSs equates to \$120,300 yearly savings per DBCS.

a. How would this alternative proposal affect the total workhour requirements and associated productivity of the processing network?

As stated above, the alternative proposal would affect total work hour requirements by increasing the DPS operation's productivity between 5 and 10 percent. The savings are calculated in Table 22. At the upper range of 10 percent, the work hour reduction in DPS would be estimated at 1,105,369.

In my opinion, the elimination of Inter-SCF OND planned for July 1, 2012, would not directly impact operations other than DPS. There would be the possibility of savings in automated flats operations due to the expanded window. There might also be other savings indirectly associated with the change. For example, the final dock clearance time at the end of Tour 1 might become earlier, creating the opportunity for non-volume operational changes. However, I cannot specifically predict the value of such savings.

b. To what extent would implementation of such a proposal decrease the total costs of the Postal Service?

As stated above, DBCS fleet requirements would be reduced between 15 and 25 percent. The savings associated with this reduction are shown in Table 23.

I cannot estimate the impact on total costs of eliminating Inter-SCF OND without a specific cause and effect relationship for the proposed consolidations. Such an estimate would require specific determination that the consolidation could only take place through the elimination of Inter-SCF OND. Even then, the savings could be associated more directly with the consolidation itself, as opposed to the change in OND requirements.

Simply stated, the elimination of Inter-SCF OND will only directly increase DPS productivity and directly decrease DBCS requirements. Other opportunities require further alternatives, like plant consolidation, to come into play.